MISSOURI BUDGET AND LEGISLATIVE AGENDA

Leading Missouri Through Tough Economic Times

"Like the people of Missouri, state government must live within its means. Missouri has been a leader in taking the fiscally responsible actions necessary to keep our state's budget balanced during these tough times."

Governor Bob Holden

Governor Holden continues to lead the state of Missouri through tough economic times. When Governor Holden took office two years ago, the state was beginning the largest fiscal challenge since World War II. These challenges continue in Fiscal Year 2004, requiring budget cuts not seen in decades. Governor Holden faced these challenges immediately. His first task after taking office was to put Missouri's fiscal house in order. The Governor continues to make balancing the state's budget a priority. Through his legislative and budget agenda, he again presents a balanced Fiscal Year 2004 budget. His approach to create a "Fair Share Budget" will focus on fiscal responsibility and managing for results.

ENSURING FISCAL RESPONSIBILITY

The Governor is committed to leading the state and its citizens through these tough economic times. In his first two years, the Governor has taken the following steps to address the state's declining revenue situation and ensure that the state's budget remains balanced:

- Cut $900 million and 1,000 positions from state department budgets – the most in Missouri history.
- Withheld $67 million and 870 positions from state agency operating budgets in the current fiscal year.
- Signed legislation to allow the state to securitize Missouri's tobacco settlement proceeds and give the state another mechanism to raise revenues. Senate Bill 1191 allows the state to securitize no more than 30 percent of the tobacco settlement proceeds revenue stream.
- Signed Senate Bill 1248. In 2002 the Governor challenged the General Assembly to find the resources necessary to fund the budget they passed. The General Assembly met the challenge and the Governor signed legislation to meet the increasing costs of K-12 education and revenue shortfalls. The new bill raised $25 million for public education and $89 million to help balance the state's budget.
- Offered a time-limited tax amnesty program to businesses and individuals that voluntarily agreed to settle past debts. This successful program generated $80 million in revenue, exceeding expectations and generating over $70 million for public education.
- Held budget summits with citizens, legislative leaders, and business leaders across the state to seek input and cooperation in increasing government efficiency and making sure working families and small businesses do not carry an unfair share of the state tax structure.
- Conducted a review of corporate tax loopholes to determine which are taking much needed revenue away from the state, without providing a benefit to the economy.

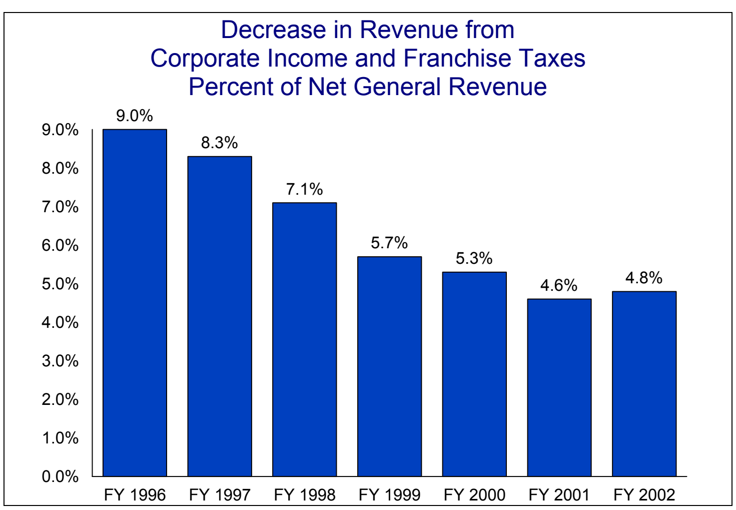
The FY 2004 Budget Challenges

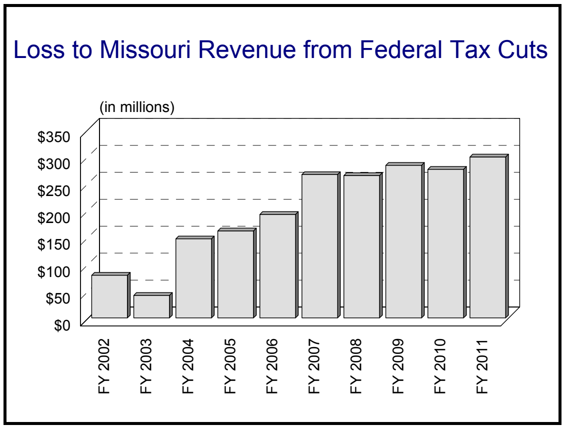
The Missouri economy generally mirrors the national economy. The United States economy officially went into recession in March 2001. During the summer of 2001, all major national forecasters envisioned an economic recovery during 2002. However, the terrorist attacks of September 11, 2001, and the potential war have delayed the projected economic recovery. At various times during the year the national economy has shown signs that it was gaining strength. Recent indicators point to a slowing of economic activity, including continued job losses which may delay any short-term recovery. Missouri's economy continues to struggle. A recent study of regional economies showed that Missouri was one of about a dozen states still in recession, with 30 states near recession. The Fiscal Year 2004 budget presents the most difficult challenge to face the Governor and the General Assembly since the Depression.

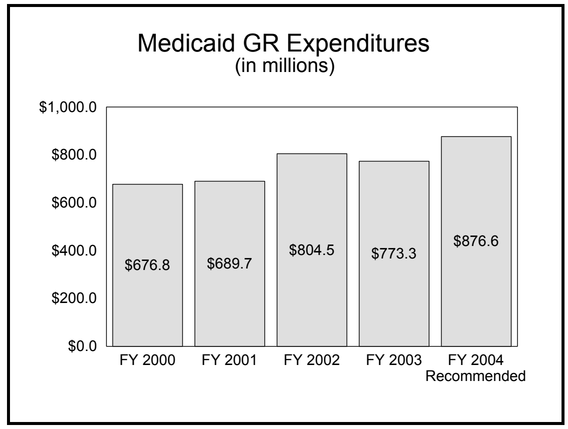
Nearly every state across the country is facing a fiscal crisis. The National Governors' Association, in a recent report, said that states are facing "the most dire fiscal situation since World War II." The Center on Budget and Policy Priorities states that "the budget deficits now looming over state governments will likely reach $60 billion to $85 billion in state Fiscal Year 2004 and constitute the largest state budget gaps in half a century."

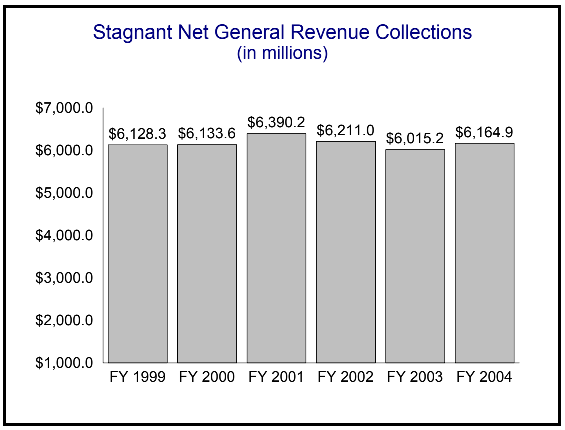
As demonstrated by the following graphs, the increasingly tight budget is due to a combination of factors, including:

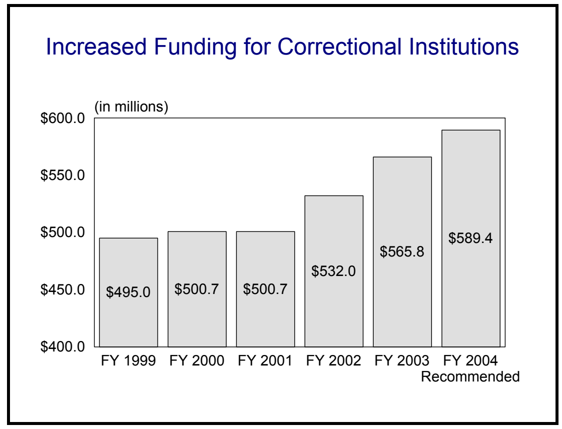
- The overall weak performance of the stock market.
- Declining rates of sales, corporate, and individual tax revenues coming into the state, primarily due to the recession.
- Substantial increases in medical costs in the Medicaid Program and for state employees.
- Growth in the prison population.
- An eroded tax base due to the negative impacts of federal tax reductions, corporate tax loopholes, and the escalating costs of state tax credits passed in previous years.

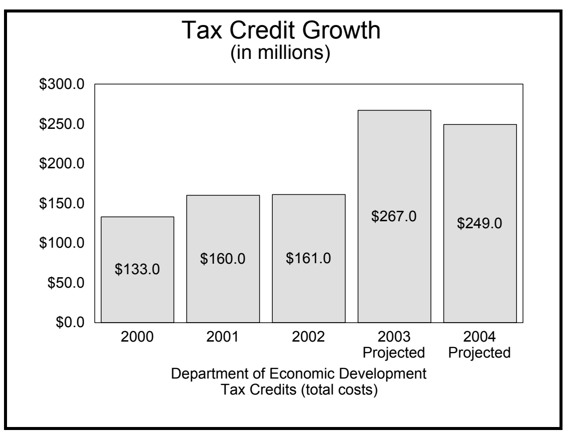



Loss to Missouri Revenue from Federal Tax Cuts
(in millions)
$350
$300
$250
$200
$150
$100
$50
$0
FY 2002
FY 2003
FY 2004
FY 2005
FY 2006
FY 2007
FY 2008
FY 2009
FY 2010
FY 2011


Medicaid GR Expenditures
(in millions)
$1,000.0
$800.0
$600.0
$400.0
$200.0
$0.0
$676.8
$689.7
$804.5
$773.3
$876.6
FY 2000
FY 2001
FY 2002
FY 2003
FY 2004 Recommended

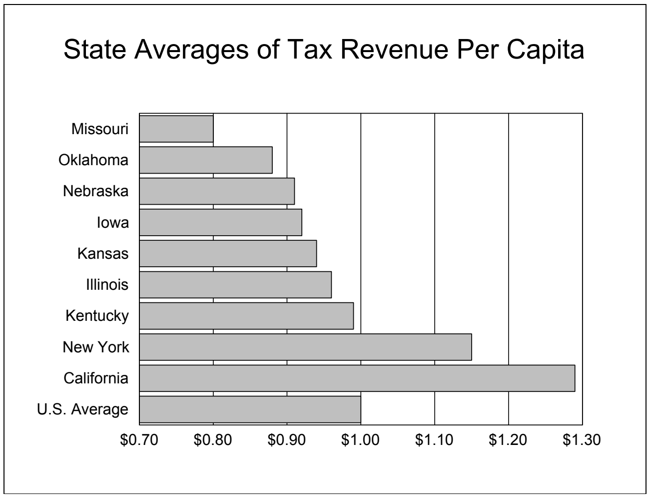

Stagnant Net General Revenue Collections
(in millions)
$7,000.0
$6,000.0
$5,000.0
$4,000.0
$3,000.0
$2,000.0
$1,000.0
$6,128.3
$6,133.6
$6,390.2
$6,211.0
$6,015.2
$6,164.9
FY 1999
FY 2000
FY 2001
FY 2002
FY 2003
FY 2004


Increased Funding for Correctional Institutions
(in millions)
$600.0
$550.0
$500.0
$450.0
$400.0
$495.0
$500.7
$500.7
$532.0
$565.8
$589.4
FY 1999
FY 2000
FY 2001
FY 2002
FY 2003
FY 2004 Recommended


Tax Credit Growth
(in millions)
$300.0
$250.0
$200.0
$150.0
$100.0
$50.0
$0.0
$133.0
$160.0
$161.0
$267.0
$249.0
2000
2001
2002
2003 Projected
2004 Projected
Department of Economic Development
Tax Credits (total costs)

Missouri - A Low-Tax State

In addition to being ranked one of the top managed states, Missouri continues to be a low-tax state. It is a “good deal” to live in Missouri and taxpayers get a “good deal” from their state government. Among all states, Missouri ranks 44th in state government expenditures per capita. For each dollar an average U.S. citizen pays in state taxes, the average Missouri citizen pays only 80 cents. Missouri state taxes are 20 percent below the U.S. average and among the lowest in the region. Missouri corporations pay less taxes per capita than any other state with a corporate tax. By any objective measure, Missouri is a low-tax state as the table below demonstrates.



Recent Rankings on Missouri Revenues and Expenditures
(as compared with all 50 states)

		Date	
State Revenues			
State Government Own Source Revenue (Per Capita)	Morgan Quitno	2002	42
Total Revenue - State and Local (% of Personal Income)	Governing Magazine	2002	40
Total Revenue - State and Local (Per Capita)	Governing Magazine	2002	42
State Revenues (Per Capita)	U.S. Census Bureau	2002	43
Corporate Income Tax - State (Per Capita)	U.S. Census Bureau	2002	46*
Total Taxes (Per Capita)	U.S. Census Bureau	2002	44
State Expenditures			
State Government Expenditures (Per Capita)	Morgan Quitno	2002	44
Total Spending - State and Local (% of Personal Income)	Governing Magazine	2002	44
Total Spending - State and Local (Per Capita)	Governing Magazine	2002	47
State Expenditures (Per Capita)	U.S. Census Bureau	2002	44

*Four states do not levy a corporate income tax.

Core Budget Review

Immediately after taking office, the Governor implemented a detailed review of existing programs for each executive branch department's budget. Each state agency was required to submit options to cut their budgets and prioritize what should be preserved. The Governor directed them to focus on generating administrative savings while preserving high-priority programs. Governor Holden has aggressively cut $1.05 billion from the general revenue budget in three years.

Medicaid Cost Controls

To address escalating health care costs in Missouri, the Governor's budget includes numerous cost containment measures to curtail Medicaid expenditures. Even with the implementation of these cost containment efforts, Governor Holden continues his commitment that children receive access to vital health care coverage. No child will lose health insurance coverage as a result of these cost control efforts. The Governor's Fiscal Year 2004 budget proposes $138.5 million in reduced general revenue costs by expanding pharmacy controls, requiring copays on many services, implementing a more efficient non-emergency transportation system, reducing pharmacy reimbursement to a level more consistent with private health care systems, and other measures.

Early Retirement

State government needs to get smaller. Providing an early retirement incentive during a "window" period is an effective practice of corporations seeking to reduce their workforce and the associated salary and benefit costs. The goals of an early retirement incentive are to decrease the number of employees, reduce personnel costs, and reorganize the workforce. A number of states adopted early retirement incentives last year as a means of dealing with their fiscal problems and more will likely follow this year. Within Missouri, the Department of Conservation and the University of Missouri have implemented successful early retirement incentives twice during recent years.

Current pension benefits are not sufficient to entice very many state workers to retire when they are first eligible - only about 25 percent of eligible state employees take advantage of the state's 80 and out retirement provision. The major reason that so few state workers retire at the earliest opportunity is the dramatic increase in health care costs they must pay when they become retirees. State government salaries are substantially lower than private sector salaries so most workers cannot afford the dramatic increase in health care premiums.

The Governor's proposed plan would provide four years of additional service as an incentive to retire. However, the plan recognizes that simply offering to add years of service credit is unlikely to sufficiently entice state workers to retire and save the state money. Accordingly, the plan also recommends that the state treat the retirees who take this option like active employees for health care premium purposes. From the time they retire until they are eligible for Medicare those that retire under the Governor's plan will pay the same amount for health care coverage as active state employees. This should be a powerful incentive. Employees will be given a 90-day window to decide whether they will retire under this temporary provision.

The early retirement incentive is anticipated to save the state $24 million. These savings are achievable only because the state is expected to refill no more than 25 percent of the positions of those who leave and the average salaries for those who do fill these positions should be lower than the salaries of those who retired. The Office of Administration will be given the responsibility to work with the agencies and decide which positions will be refilled. The savings from the plan will be core cut from each agency in the Fiscal Year 2005 budget to ensure that the state gets permanent savings from the plan.

Additional Administrative Savings

Over the past year, the Governor has directed a review of administrative costs to eliminate inefficient spending and improve the operations of state government. In addition, state agencies have been directed to eliminate out-of-state travel, except for functions that are critical to their mission. Over the next year, the Governor will implement the following measures to achieve additional administrative savings.

Sell State Aircraft
The state has, for many years, owned and operated a fleet of airplanes used by agency personnel and elected officials in order to limit travel time and make more efficient use of it, when necessary. One result of the recent budget difficulties is the reduction in flight demand, which has, in turn, resulted in excess capacity in the state's aircraft fleet. To reduce costs and streamline services, the state will sell its jet and two planes and replace them with one more efficient plane, generating $1 million.

Reduce the Number of State-Owned Vehicles
The state's vehicle fleet contains over 4,900 vehicles. In order to generate savings, the Governor will:

- Mandate at least a ten percent reduction in the state vehicle fleet.
- Prohibit the use of state vehicles to commute to and from work.
- Eliminate vehicles assigned to individual state employees.
- Place a moratorium on the purchase of new vehicles, except for critical replacements.

Vehicles used to ensure the safety of Missouri citizens, such as the Highway Patrol, will be excluded from these reductions.

Reduce Printing and Mailing Costs
State agencies are required to produce hundreds of reports and publications; many of these are annual reports required by law. In the world of expanding technologies, the state should make more of their publications available over the Internet, thereby reducing paper, printing, and storage costs. In addition, state agencies should identify areas where mailings can be done through e-mail or posted on the Internet. To achieve additional savings in this area, the Governor will direct state agencies to reduce the number of publications, where possible, and reduce the costs of printing and distributing mandatory reports.

Consolidate State Office Space
In recent years, the state has co-located agencies, where possible, to provide better access for clients and decrease costs. Consolidating numerous leases by several state agencies into one location reduces space needs by combining conference, break, restroom, and other common areas. In addition, in rural areas several state agencies rent space for only one or two persons. These smaller, individual spaces could be vacated and staff moved to larger leased facilities. The Governor has directed the Division of Facilities Management to further consolidate existing space.

Eliminate Excess Warehouse Space
State agencies individually lease storage space across the state to house the excess materials they need to conduct business. The Governor has directed the Office of Administration to reduce the amount of leased storage and coordinate the sharing of agency warehouse space.

Commission on Efficiency and Fiscal Management

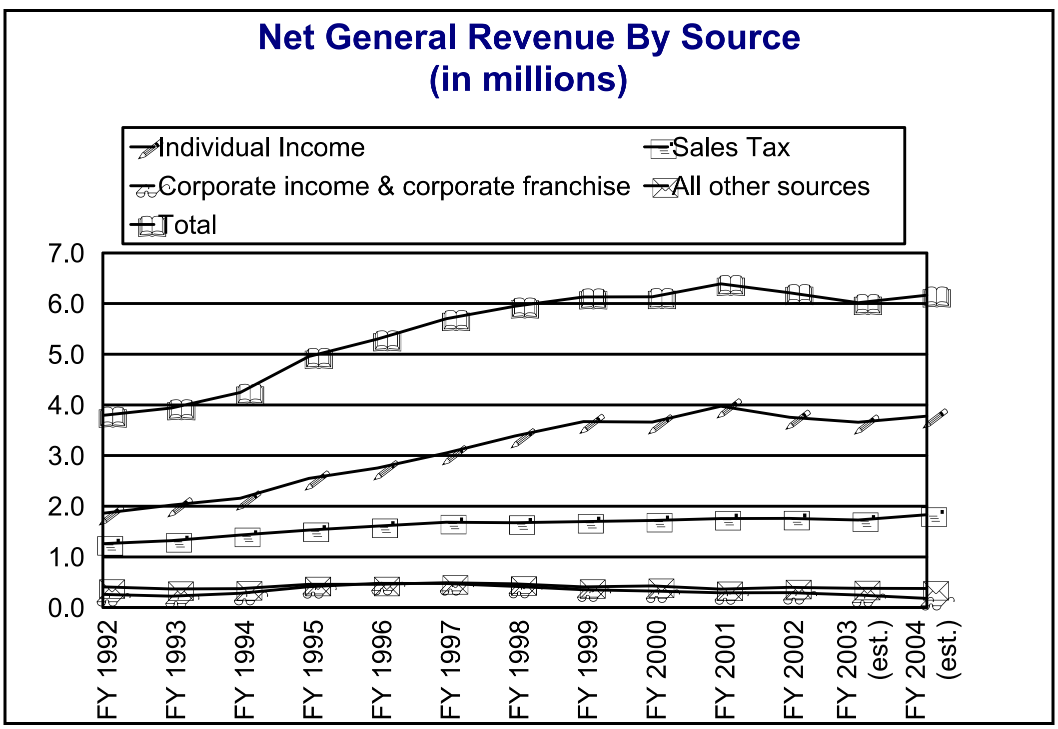
Even though the Governor has spent the past two years improving efficiency and reducing spending throughout state government, he has welcomed additional ideas and recommendations from the private sector. To gather additional ideas, the Governor will create the Missouri Commission on Efficiency and Fiscal Management in State Government Finances by executive order. The commission will immediately undertake a complete, comprehensive, and thorough examination of all aspects of the state's cash management practices, debt management practices, budgetary processes, personnel practices, and other areas relevant to sound business and financial management. The commission will provide recommendations to the Governor, General Assembly, and the citizens of Missouri on any additional ways to make the government of Missouri more efficient, effective, fiscally sound, and productive in business, finance, and cash and fiscal management.

Tax Collection Efficiency

Missourians were given an opportunity to come into compliance with the state's tax code in the just completed and successful tax amnesty. However, now that amnesty is completed the state will hire specially trained auditors, criminal investigators, and other staff to ensure all Missourians pay their fair share of taxes. In addition, the state will enter into a contingency fee contract to upgrade the Department of Revenue's collection system using a benefit-based agreement. The vendor will only be paid provided the system enhancements generate new revenue in excess of an agreed upon baseline. These efforts are expected to generate $21.1 million in additional revenue.

Reduced Spending on Tax Loopholes

Governor Holden has ordered a thorough review of tax expenditures to identify problems with Missouri's existing tax code. Corporate income taxes have dropped from 9.0 percent of the state's general revenue in 1995 to only 4.8 percent last year. Aggressive tax consultants continue to find loopholes in our state laws. Some tax incentives are no longer achieving their intended purpose. In the fall of 2002, the Governor convened state leaders and held budget summits across the state to receive input from citizens and business leaders to address two important issues – government efficiency and the concern of working families and small businesses that carry more than their fair share of the tax burden.



Currently, Missouri tax law has areas that are not equitable or are poorly written, which has resulted in the state giving money away to corporations through special tax loopholes. Recent court decisions have exposed many ambiguities in Missouri tax law costing the state $90 million in refunds, settlement payments, and millions more in lost revenue. In addition:

- Companies like Toys R Us and Home Depot use accounting loopholes to avoid paying Missouri corporate income tax. They use the “Geoffrey loophole,” named for Geoffrey, the Toys R Us giraffe, to set up a dummy corporation in another state and transfer their profits out of state to avoid paying Missouri taxes. This loophole is costing state revenues an estimated $15 million annually.

- Many businesses avoid paying taxes by placing their assets in out-of-state banks, taking business away from Missouri institutions. This loophole encourages out-of-state investments and the use of out-of-state banks. Missouri may be the only state in the country that allows corporations to avoid paying taxes on this income, costing state revenues an estimated $31 million annually.

- Buyers of large yachts that weigh over five tons do not have to pay regular state sales tax on their boats, while smaller boat purchasers must pay 100 percent of their assessed tax. Purchasers of large boats pay approximately one percent of the cost of the boat, while the purchasers of smaller craft pay the full six percent. Those who can afford a luxury yacht are not paying their fair share and costing state revenues an estimated $4.2 million annually.

- Individuals seeking professional licenses and businesses that have contracts with the state are not checked against the Department of Revenue’s database for outstanding state tax debt. The technology is available to easily conduct these matches. Checking the tax status of these individuals and businesses is expected to generate at least $10 million annually.

2003 Legislative Initiative
More Efficient Collections and Tax Expenditures

In order to level the playing field for Missouri companies, small businesses, and individuals, the Governor recommends increasing the collection of delinquent taxes and reducing spending on tax loopholes. The Governor proposes to:

Increase Collections Already Owed

Mandate Electronic Filing of Some Taxes - $2.2 million. This portion of the proposal would mandate electronic filing of monthly and quarter-monthly withholding returns, corporate estimated tax payments, and quarter-monthly sales tax payments. This will ensure quicker deposit of funds into the state treasury.

Reduce Spending on Tax Loopholes

Geoffrey Loophole - $15 million. Illinois and 25 other states have provisions that close this loophole.

Disallow Non-Missouri Source Income - $31 million. Missouri should prohibit corporations from avoiding state tax payment on income from out-of-state investments.

Yacht Loophole - $4.2 million. Buyers of luxury boats pay a reduced watercraft tax instead of Missouri sales tax.

Professional Licensing - $10 million. Require individuals to receive a tax clearance to ensure that state-owed taxes are paid before doing business with the state or obtaining or renewing a professional license.

Refunds to Purchasers - $10 million. Currently, a business that applies for and receives a sales tax refund for taxes they have inappropriately collected from customers is not required to even attempt to find and return the overpayment to the purchaser.

Common Carriers - $9.8 million. Years ago the legislature enacted sales tax exemptions for purchase of trucks, parts, and repairs for "common carriers." When these exemptions were passed, every common carrier had to register with the federal Interstate Commerce Commission and only true common carriers, i.e., trucking companies for hire by the general public, could qualify. Now, anyone can register as a common carrier by paying a relatively modest fee and such registration is no longer required in most cases.

Franchise Tax Dissolution - $1 million. Clarify the Secretary of State's authority to dissolve a corporation for not filing a franchise tax return.

Gambling Winnings - $7 million. Currently, there is no Missouri law explicitly pertaining to a nonresident individual tax on winnings from a multi-jurisdiction lottery (including Power Ball) or from riverboat gambling. Residents must pay taxes on their winnings, so should nonresidents.

Railroad Retirement Double Deduction - $2 million. Currently, a taxpayer receiving railroad retirement benefits is not taxed on those benefits at the state level and also may deduct up to $6,000 from their Missouri taxable income. This proposal will eliminate the double dipping of tax benefits.

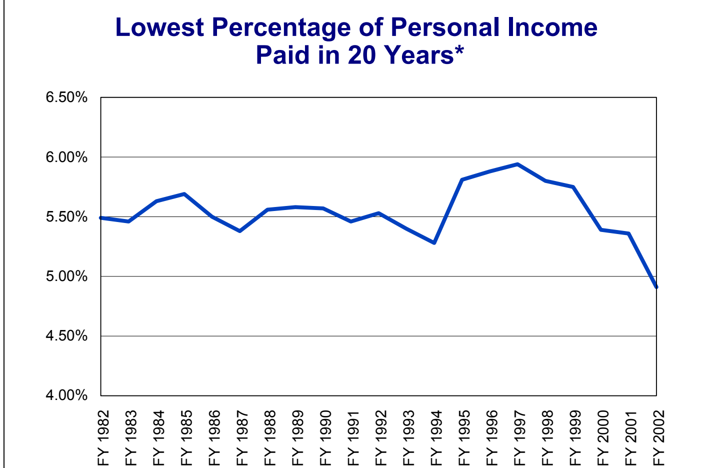
Eliminate Timely Filing Discount for Withholding Tax - $18.4 million. Missouri businesses receive a discount for sending the income withholding taxes they collect from employees to the state. The state of Missouri is the only state that provides this discount.

Disallow the use of single factor apportionment – $77.2 million. Unlike most states, Missouri gives corporate taxpayers a choice on how to apportion income to Missouri versus other states. Single factor apportionment is extremely generous to taxpayers who make most of their sales to out-of-state customers, but rely heavily on Missouri infrastructure because they have facilities and employees here.

Additional Revenue Generation

As outlined above, the Governor has aggressively cut $1.05 billion from the general revenue budget in three years. The largest redirection of the state's spending priorities has occurred and administrative cuts have been deep. These actions have been required because net general revenue collections have essentially been flat for the past five fiscal years, a period during which costs of health care and corrections increased significantly.

The combination of the recession and factors mentioned previously have placed the state in dire financial circumstances. The state is well over $1 billion below the constitutional revenue and spending limit – the most since it was established. As measured by the state's revenue limit, Missourians are now sending a smaller percentage of their personal income to state government than at any time since enactment of the limit in 1980.



*Calculated in accordance with the constitutional requirements of the Hancock revenue limit.

Even with state agency core cuts, closing tax loopholes, and additional administrative savings there is still an ongoing revenue shortfall in Missouri's budget. The point has been reached that without a significant infusion of new revenue the state will fail in its mandated obligations to our citizens. The following is the fiscal reality that Missouri and many other states face:

- The state will be unable to protect against cuts to the Foundation Formula for local schools.
- Major budget cuts will be required in higher education, substantially increasing tuition for students and their families.
- Thousands of the elderly, the poor, and the disabled will have their medical and mental health services eliminated.
- Access to health care for low-income Missourians will be difficult because doctors, hospitals, and other providers could see their payments dramatically reduced.
- Public safety protections will be reduced, thereby jeopardizing all of the progress the state has made in lowering the crime rate in Missouri.

If vital services are to continue, the solution must be four-fold: downsize state government, increase collection of taxes already owed, reduce spending on tax loopholes, and raise additional revenue. Governor Holden has tackled the first three solutions. Now, the Governor will work with the General Assembly and voters to address the fourth.

2003 Legislative Initiative
Generating Additional State Revenue

The Governor recommends a revenue package to address current and ongoing revenue shortfalls. This will not include a general tax increase on Missourians. The Missouri Constitution requires portions of this package be sent to a vote of the people. The Governor recommends the following.

Raising Gaming Revenues for Education

- Increase the admission fees to gaming boats by $2. The state and the home dock city or county share proceeds from the current $2 admission fee - $106 million.
- Remove the current provision that limits to $500 the amount riverboat gaming patrons may lose during each two-hour cruise. Missouri is the only state that employs a loss limit - $57 million.
- Increase the adjusted gross receipts tax on riverboat gaming from 20 to 22 percent. This tax is paid by riverboat operators on the amount lost by patrons - $30 million.

Increasing the Cigarette Tax for Health Care

Tobacco use in Missouri is one of the highest in the nation; 27 percent of adults smoke. Even more alarming are studies that show one-third of Missouri teenagers are smoking. As a result, Missouri ranks well above average in smoking-related diseases such as heart disease, cancer, and emphysema. Disease due to smoking increases costs for all health care plans, including Medicaid. $279 million will be used to pay the rising costs of health care.

Raising Other Revenue to Meet the Shortfall

- Place a surcharge of five percent on the individual income tax on taxpayers with taxable incomes greater than $200,000 - $12 million. Currently, an individual with taxable Missouri income of $200,000 owes the state about $12,000 in taxes. The proposal will increase his/her taxes by $600 a year.
- Permanently eliminate the use of the federal accelerated depreciation on Missouri tax returns - $66 million. Accelerated depreciation will still be allowed on federal returns. In 2002 the General Assembly passed Senate Bill 1248 which placed a one-year moratorium on federal accelerated depreciation.
- Allow the state's elected officials to determine the level of Missouri taxes, not the federal government. Federal tax code changes will have to be statutorily confirmed by the General Assembly and signed by the Governor before they will be allowed to affect, either increase or decrease, Missouri taxes.

Cutting Taxes to Stimulate the Economy

- Reduce the corporate tax rate by one percentage point from 6.25 percent to 5.25 percent. The reduction will help provide an economic incentive to Missouri businesses and spur economic activity. The estimated revenue loss is $28 million.
- Provide a State Sales Tax Holiday. A three-day sales tax holiday every August to help citizens with back-to-school purchases. The holiday will also help Missouri businesses and attract people from surrounding states. The estimated revenue loss is $5 million.

MANAGING FOR RESULTS
CREATING A MORE EFFICIENT GOVERNMENT

State Government Reorganization

It has been 30 years since the last comprehensive reorganization of state government. Since that time, numerous programs and entities have been added to state government resulting in the duplication and overlap of many state services. Governor Holden has been reviewing the structure of state government since he took office. The Governor is committed to integrating departmental operations to improve the way the state delivers services. Given Missouri's current budget situation, state government must look at areas where it can do more with less.

In addition to core reductions, Missouri must streamline state government and make it as efficient as possible. Restructuring key services will improve the way state government delivers services to the taxpayers of Missouri. Governor Holden proposes restructuring several areas of state government which will achieve $4.9 million in savings and $3.6 million reinvested from staff savings; 169 positions will be cut. To improve departmental operations in the interest of economy, efficiency, and better service, Governor Holden will file reorganization plans with the General Assembly to improve the operation of the state's executive branch by:

- Consolidating Workforce Development functions in the Department of Economic Development. Temporary Assistance for Needy Families, Food Stamp Training, and Parents Fair Share workforce programs will be transferred from the Department of Social Services.

- Eliminating two divisions of state government while shifting their most critical functions to existing state agencies with similar missions. The Division of Highway Safety will be eliminated and its functions transferred from the Department of Public Safety to the Department of Transportation. The Division of Child Support Enforcement will also be eliminated. Its payment and receipts functions will be transferred to the Department of Revenue and its support establishment functions will go to the Family Support Division in the Department of Social Services.

- Creating a Children's Division to focus on children in state custody and those at risk of abuse or neglect.

- Replacing the Division of Family Services. The Division of Family Services income maintenance functions will be streamlined in the Family Support Division.

- Eliminating the Division of Highway Safety and transferring its functions to the Department of Transportation.

Governor Holden's 2003 Reorganization Plan

Components by Department	Savings	Staff Cut
Department of Social Services		
Eliminate the Division of Child Support Enforcement		
Child Support Enforcement Payment Processing Transferred to Department of	$17,565	1
Parent's Fair Share Program Transferred to Department of Economic	$2,424,987	48
Paternity and Support Establishment Transferred to the Family Support	$0	
Replace the Division of Family Services		
New Children's Division Established for Children's Services Programs	$0	
Child Fatality Review Panel Transferred to the Division of Legal Services	$0	
TANF Workforce Activities Transferred to Department of Economic	$1,143,585	106
Select County Offices Closed	$232,726	
Food Stamp Employment Training Transferred to Department of Economic	$0	
Income Assistance Programs, Eligibility Determination, and Blind	$0	
Other Administrative Reductions	$310,438	4
Department of Public Safety		
Eliminate the Division of Highway Safety		
Highway Safety Transferred to Department of Transportation	$196,467	9
Department of Economic Development		
Streamline Services		
MOICC Transferred from Department of Elementary and Secondary Education	$30,000	1
Business Development and Business Expansion Merged into a new Business	$535,051	
	$4,890,819	169

Summary of Governor Holden's Reorganization Plan

Governor Holden Proposes	Benefits
Workforce Development Create a one-stop agency for workforce and employment services	• Saves \$3.6 million and refocuses \$3.5 million on support services, work activities, and training for clients. • Gives one state department responsibility for both job creation and placement. • Creates a one-stop career system with "no wrong door" access. • Creates a single point of contact for businesses on workforce issues. • Increases the number of TANF and Parent's Fair Share clients getting a job. • Provides a common intake process, eliminating bureaucracy and improving services for clients. • Eliminates existing duplication of effort.
Highway Safety Coordination Eliminate the Division of Highway Safety and consolidate all highway safety functions in the Missouri Department of Transportation	• Saves \$196,467 and nine staff. These savings will be redirected to road maintenance and construction. • Provides coordination of highway safety efforts by one department. • Eliminates the so-called diversion of highway funding related to highway safety.
Family Support Eliminate the current Division of Child Support Enforcement and combine income support programs into one division	• Increases child support collections by moving payment and receipt functions to the Department of Revenue (DOR). DOR is the state's primary payment collector and has the greatest expertise in collecting payments on behalf of the state. • Focuses the Department of Social Services (DSS) on their area of expertise - establishing paternity, medical, and income support for children. These functions will be handled by the new Family Support Division.
Child Protective Services Create a Children's Division in DSS	• Focuses DSS efforts on child protective services. Previously the Division of Family Services was split between providing child protective services and administering income maintenance programs. • Increase the level of accountability for programs providing services to abused and neglected children.

Managing for Results

Governor Holden knows that Missouri state government needs to continue to operate smarter and more efficiently. The Governor is committed to holding state government agencies accountable to a higher standard of performance and quality. His business-like approach to managing state government focuses on setting priorities, measuring success, making better decisions, and communicating results.

Governor Holden's Managing for Results Initiative (MRI) is a long-term commitment to doing business more efficiently and effectively, keeping government focused on results, and driving meaningful improvements for Missouri citizens. A critical component of MRI is improving agency performance. MRI helps departments focus on customer satisfaction, process improvement, and problem solving. Agency projects have saved millions of dollars and countless hours for Missouri citizens and state employees. Descriptions of these projects can be found at the MRI website (www.mri.state.mo.us). Some select MRI projects that have already made significant progress include:

Workers' Compensation Team – Changes are being implemented to get injured workers back to productive work more quickly. It is anticipated that the changes the team has implemented will result in a $1.5 million reduction in workers' compensation costs to the state and an additional 40,000 days of productivity.

Child Support Enforcement Team – Changes are being implemented that will increase the amount of money reaching custodial parents to help support their children. So far, undistributed collections have been reduced by 50 percent.

Department of Transportation Team – Recommendations are being put in place to reduce the number of projects where actual costs exceed the original projection. These changes should reduce these cost overruns from the current 72 percent of projects down to 15 percent, saving millions of state highway dollars.

Water Quality Permits Team – Improvements are being implemented to reduce the time it takes to issue water quality permits by the Department of Natural Resources. These changes will reduce the time it takes to receive state permits by two months, freeing staff to spend more time on inspecting sites to ensure the quality of Missouri's water meets state and federal standards.

Governor Holden's Managing for Results Initiative also focuses on ensuring state government is being held accountable for key results. Three goals have been established with specific results and corresponding measures identified for each goal. The measures provide a means for identifying historical trends, monitoring recent progress, and, when possible, comparing Missouri to the nation as a whole. The goals and results, also found at www.mri.state.mo.us, illustrate Governor Holden's commitment to ensure that:

- Missouri is a Leader in Education
- Missouri is Developing a 21st Century Economy
- Missouri is a Safe, Healthy Place to Live and Work

Program Accountability Proposal

Although Missouri has been nationally recognized for its systematic review of core budgets, the current budget challenge requires even closer scrutiny of existing programs. It is critical that new programs are reviewed to ensure the results originally intended are achieved. Therefore, Governor Holden encourages the General Assembly to consider enacting a Missouri sunset law.

2003 Legislative Initiative
Automatic Sunset Date for New Programs

Governor Holden recommends that new programs enacted in state statute include an automatic date that they will end, or sunset, if not renewed by the General Assembly. This proposal would:

- Require a review of every new program that will result in a recommendation to reauthorize, modify, or eliminate the program based on its performance.
- Establish program reviews by the staff of the Joint Committee on Legislative Research. Program review recommendations will be submitted annually to the Governor and General Assembly.
- Eliminate or modify programs that are not successful.
- Trigger reauthorization legislation on programs that are found to be meeting performance results and providing benefits that outweigh their costs.